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Update on Tiered Water Rates

February 11, 2016
Public Works Commission



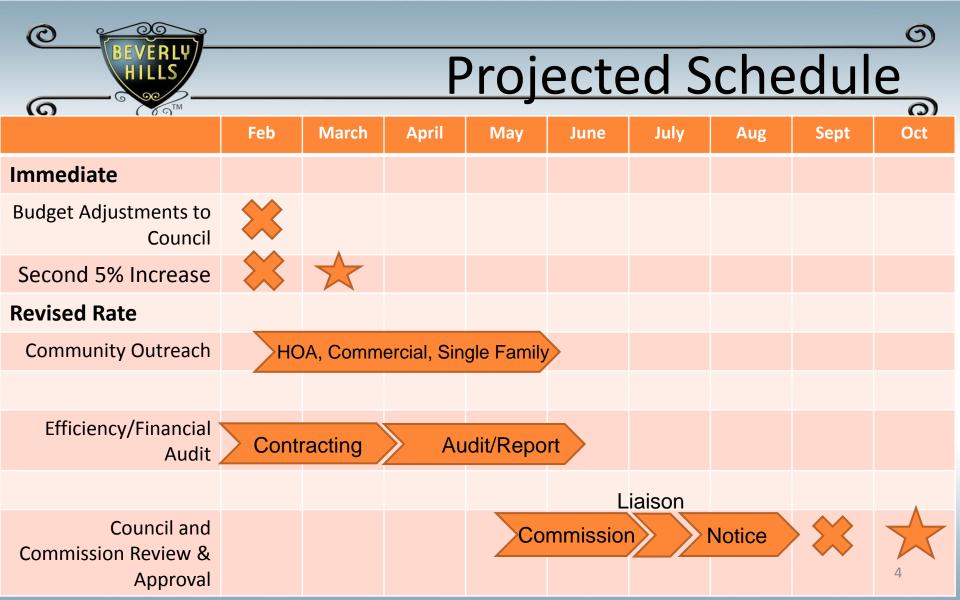
Rate Structure Background

- Council considered and tabled on January 5th
- Requested further information prior to return
 - Immediately
 - Create plan to address budget gap
 - Additional Actions
 - Financial and Efficiency Audit
 - Review multi-family and commercial impacts
 - Evaluate potential rate smoothing scenarios
 - Community Involvement



Today's Objective

- Review new rate schedule
- Discuss and develop interim budget gap recommendation for City Council on February 16th





The Gap

- Staff report indicates a shortfall of \$4M
- As part of preparations for mid-year review to Council, Finance identified \$703,000 of salary savings in July-Dec in the Water Fund
- Updated shortfall is \$3.3M



Interim Budget Adjustment

- Met with Rates Sub-Committee met on February 3rd
 - 1. Reviewed budget shortfall
 - 2. Developed options for discussion
- Three short-term options to address gap
 - 1. Delay Capital projects
 - 2. Use reserves
 - 3. Identify additional revenue sources
- Recommendation one or a combination



Delay Capital Projects

- Postpone issuance of contracts for budgeted capital projects
- Pro's
 - Protects reserves
- Con's
 - Short term increased risk (water main failures)



Use Reserves

- Continue with Capital projects and utilize reserves for short term funding source
- Pro's
 - Capital projects continue to move forward

- Con's
 - Does not hit financial reserve targets



Additional Revenue

- Transfers from General Fund for under market property leases
- Pro's
 - Possible long range increased revenue (Lease)
 - Protects reserve and capital
 - Protects financial targets, debt coverage
- Con's
 - May take longer to implement



Potential Recommendations

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- General fund reimbursement for La Cienega water property lease
- Lease additional underutilized water properties (Robertson Yard)
- Prioritize the WEP projects (Central basin, conservation) over existing annual Rehab capital projects
- 4. Use the existing capital project delay as toggle to eliminate over expenditures until new rate established
 - 1. Water Main and Hydrant Rehab
 - 2. Reservoir and Pump Station Rehab



Discussion